

Minneapolis Community Development Agency

Request for City Council Action

Date: November 10, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Council Member Scott Benson, Intergovernmental Relations Committee

Prepared by Jim Forsyth, Project Coordinator, Phone 612-673- 5179

Approved by Lee Sheehy, CPED Executive Director
Chuck Lutz, CPED Deputy Executive Director _____

Subject: Authorization to Seek Legislation Allowing Tax Increment “Pooling” and Parcel Qualification Requirements in SEMI

Previous Directives: The City Council has previously authorized seeking tax law changes to allow Pooling in SEMI.

Ward: 2

Neighborhood Group Notification: The South East Economic Development Committee will be informed of this recommendation at its meeting of November, 19, 2003.

Consistency with *Building a City That Works*: Goal 1: Increase the city’s economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents.

Objective A: Provide opportunities that create more living wage jobs in the city.

Strategy 1: Provide clean, buildable land parcels to meet the needs of business expansion and relocation within the city.

Comprehensive Plan Compliance: Not applicable

Zoning Code Compliance: Not Applicable

Impact on CPED Budget: (Check those that apply)

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase

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☐ Action requires use of contingency or reserves
☒ Other financial impact (Explain): Unknown at this time.

Living Wage / Business Subsidy: Not Applicable

Job Linkage: Not Applicable

Affirmative Action Compliance: Not Applicable

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council direct appropriate City staff to pursue changes in State law, as specified in this report, to allow tax increment pooling and qualification of all parcels in SEMI.

Background

The SEMI area, recently designated by the City as a component of its Bioscience Job Zone as the “University Research Park,” is a Redevelopment Project with a number of characteristics that make redevelopment difficult. Among these are:

- Most remaining sites in SEMI, aside from property owned by the BN/Santa Fe and Union Pacific Railroads, are so small that a number of parcels must be assembled for redevelopment.
- Many potential redevelopment sites have buildings on them that must be demolished. Demolition, especially of grain elevators (the predominant structure in SEMI), is very costly.
- Most sites are believed to be polluted and will require remediation.
- Most remaining sites in SEMI do not have adequate access.
- Most of SEMI has inadequate stormwater management facilities.

CPED staff have identified a number of resources to address these issues and to facilitate redevelopment in SEMI. Among these are; State bonds, MSA funds, Federal Empowerment Zone funds, State grants for acquisition, State and County grants for brownfield remediation, Mississippi Watershed Management Organization funds and developer participation. However, the issues listed above are significant enough that additional tools are needed.

All of these concerns can be addressed using revenues generated through tax increment (TI) and there are currently 5 TI districts in SEMI. However, current TI law prohibits “pooling” (using TI revenue outside the TI district) of more than 25% of the increment generated by a redevelopment TI district. Of that 25%, 10% is used to cover administrative costs. This leaves only 15% of the TI revenue available for pooling. In addition, many parcels in SEMI are not occupied by buildings or are not otherwise improved, as defined in current redevelopment tax increment law. This makes qualifying a redevelopment tax increment district difficult because, in order to create a viable district, inclusion of these parcels is often necessary.

Historically, much State bias against tax increment was due to the property tax structure, where the State was basically making the school districts "whole". Therefore the State, rather than the school districts, was taking the "hit" on tax increment. However, property tax reform and shifting of school funding to the State has diminished that concern. We therefore believe we have a very good opportunity to get the pooling approved for SEMI, especially with its inclusion in the proposed Bioscience Zone.

Potential Partner

Minneapolis has proposed joining with St. Paul in supporting the bonding request each city plans to submit for development of their Bioscience Zones. St. Paul's request is reported to be \$20,000,000. The Minneapolis request is for \$9,000,000. Allowing the pooling of TI revenue in SEMI seems an appropriate addition to the effort for mutual support of Bioscience development at the Legislature.

Recommendation

The ability to pool TI revenue between districts within the project area and the ability to include any parcel in the project area within a redevelopment TI district would provide considerable assistance in creating viable tax increment districts that would help to finance redevelopment in SEMI. Therefore, restrictions on "pooling" tax increment in the SEMI Redevelopment Project should be eliminated. In addition, the ability to include any property in the SEMI project area within a redevelopment TI district should also be a part of our request.

To accomplish this the following language, taken in part from a previous legislative proposal, is suggested.

- Notwithstanding the requirements of a redevelopment tax increment financing district described at Minnesota Statutes, Section 469.174, subdivision 10, any parcel that is partially or wholly situated in the SEMI area bounded to the north by Rollins Avenue to 17th Avenue Southeast to Elm Street Southeast extended to the Burlington Northern Santa Fe right of way extended to the Minneapolis City boundary on the east, on the south by University Avenue, on the west by Oak Street to Eighth Street Southeast to 15th Avenue Southeast to Rollins Avenue in the City of Minneapolis qualifies for inclusion in a redevelopment tax increment district. One or more additional redevelopment tax increment districts may be created within the SEMI project area if the request for the certification of the district is submitted to the Hennepin County Auditor by December 31, 2024.
- Minnesota Statutes, sections 469.176, subdivision 4j, and 469.1763, do not apply to any tax increment financing district in the SEMI area, regardless of when the request for certification of the district was made, including requests made before the effective date of this act.